

AUDITING PROCEDURES REPORT

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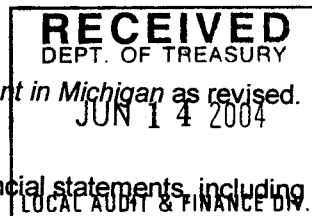
Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Township of Hulbert	County Chippewa
Audit Date March 31, 2004	Opinion Date May 27, 2004	Date Accountant Report Submitted to State: May 27, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- | | |
|---|--|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

DEPT. OF TREASURY

JUN 14 2004

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LOCAL AUDIT & FINANCE DIV.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

Year Ended March 31, 2004

TOWNSHIP OF HULBERT
Chippewa County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

May 27, 2004

To the Township Board
Township of Hulbert
Chippewa County, Michigan

We have audited the accompanying general purpose financial statements of the Township of Hulbert, Chippewa County, Michigan, as of March 31, 2004, and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Hulbert's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Hulbert, Chippewa County, Michigan, as of March 31, 2004, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying information listed as supporting schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hulbert, Chippewa County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINED BALANCE SHEET – ALL FUND TYPES AND ACCOUNT GROUPS

March 31, 2004

EXHIBIT A

	<u>Governmental Fund Types</u>		<u>Fiduciary Fund Type</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>
<u>Assets</u>			
Cash in bank	131 612 06	4 847 50	16 338 01
Taxes receivable	3 079 31	1 908 63	-
Due from other funds	1 579 37	1 004 37	-
Land and improvements	-	-	-
Buildings and improvements	-	-	-
Equipment	-	-	-
Amount to be provided for retirement of general long-term debt	-	-	-
Total Assets	<u>136 270 74</u>	<u>7 760 50</u>	<u>16 338 01</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Loan payable	-	-	-
Due to other funds	-	-	2 583 74
Due to others	-	-	13 754 27
Total liabilities	<u>-</u>	<u>-</u>	<u>16 338 01</u>
Fund equity:			
Investment in general fixed assets	-	-	-
Fund balances:			
Unreserved:			
Undesignated	<u>136 270 74</u>	<u>7 760 50</u>	<u>-</u>
Total fund equity	<u>136 270 74</u>	<u>7 760 50</u>	<u>-</u>
Total Liabilities and Fund Equity	<u>136 270 74</u>	<u>7 760 50</u>	<u>16 338 01</u>

The accompanying notes are an integral part of these financial statements.

Account Groups		Total
General Fixed Assets	General Long- Term Debt	(Memorandum Only)
-	-	152 797 57
-	-	4 987 94
-	-	2 583 74
169 750 00	-	169 750 00
188 438 39	-	188 438 39
196 689 45	-	196 689 45
-	43 882 48	43 882 48
<u>554 877 84</u>	<u>43 882 48</u>	<u>759 129 57</u>
-	43 882 48	43 882 48
-	-	2 583 74
-	-	13 754 27
-	43 882 48	60 220 49
554 877 84	-	554 877 84
-	-	144 031 24
<u>554 877 84</u>	<u>-</u>	<u>698 909 08</u>
<u>554 877 84</u>	<u>43 882 48</u>	<u>759 129 57</u>

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 1

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Revenues:			
Property taxes	28 981 09	16 715 99	45 697 08
Swamp tax	16 821 32	-	16 821 32
State revenue sharing	17 781 30	-	17 781 30
Property tax administration fees	3 201 29	-	3 201 29
Charges for services	2 474 69	2 151 58	4 626 27
Hall rental fees	420 00	-	420 00
Interest	1 649 08	1 054 33	2 703 41
Miscellaneous	<u>62 272 44</u>	<u>1 840 03</u>	<u>64 112 47</u>
Total revenues	<u>133 601 21</u>	<u>21 761 93</u>	<u>155 363 14</u>
Expenditures:			
Legislative:			
Township Board	1 460 88	-	1 460 88
General government:			
Supervisor	3 652 20	-	3 652 20
Elections	653 55	-	653 55
Assessor	3 600 00	-	3 600 00
Clerk	2 739 16	-	2 739 16
Board of Review	848 41	-	848 41
Treasurer	2 739 16	-	2 739 16
Township hall	21 673 11	-	21 673 11
Cemetery	1 251 00	-	1 251 00
Unallocated	12 475 95	-	12 475 95
Public safety:			
Liquor law enforcement	843 27	-	843 27
Fire protection	-	20 187 78	20 187 78
Public works:			
Street lighting	2 114 76	-	2 114 76
Highways and streets	20 000 00	-	20 000 00
Sanitation	1 091 00	-	1 091 00
Other:			
Pension	1 349 75	-	1 349 75
Insurance	3 739 00	-	3 739 00

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL GOVERNMENTAL FUND TYPES

Year Ended March 31, 2004

EXHIBIT B

Page 2

	<u>Governmental Fund Types</u>		<u>Total</u>
	<u>General</u>	<u>Special Revenue</u>	<u>(Memorandum Only)</u>
Expenditures: (continued)			
Capital outlay	1 099 00	52 007 03	53 106 03
Debt service	<u>2 973 19</u>	<u>-</u>	<u>2 973 19</u>
Total expenditures	<u>84 303 39</u>	<u>72 194 81</u>	<u>156 498 20</u>
Excess (deficiency) of revenues over expenditures	<u>49 297 82</u>	<u>(50 432 88)</u>	<u>(1 135 06)</u>
Other financing sources (uses):			
Operating transfers in	13 866 79	-	13 866 79
Operating transfers out	<u>-</u>	<u>(13 866 79)</u>	<u>(13 866 79)</u>
Total other financing sources (uses)	<u>13 866 79</u>	<u>(13 866 79)</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	63 164 61	(64 299 67)	(1 135 06)
Fund balances, April 1	<u>73 106 13</u>	<u>72 060 17</u>	<u>145 166 30</u>
Fund Balances, March 31	<u><u>136 270 74</u></u>	<u><u>7 760 50</u></u>	<u><u>144 031 24</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

EXHIBIT C
Page 1

	General Fund		
	Budget	Actual	Over (Under) Budget
Revenues:			
Property taxes	43 066 00	28 981 09	(14 084 91)
Swamp tax	16 821 00	16 821 32	32
State revenue sharing	19 070 00	17 781 30	(1 288 70)
Property tax administration fees	-	3 201 29	3 201 29
Charges for services	3 359 00	2 474 69	(884 31)
Hall rental fees	100 00	420 00	320 00
Interest	750 00	1 649 08	899 08
Miscellaneous	6 540 68	62 272 44	55 731 76
Total revenues	89 706 68	133 601 21	43 894 53
Expenditures:			
Legislative:			
Township Board	1 465 00	1 460 88	(4 12)
General government:			
Supervisor	3 677 00	3 652 20	(24 80)
Elections	700 00	653 55	(46 45)
Assessor	4 200 00	3 600 00	(600 00)
Clerk	2 764 00	2 739 16	(24 84)
Board of Review	1 000 00	848 41	(151 59)
Treasurer	2 764 00	2 739 16	(24 84)
Township hall	26 700 00	21 673 11	(5 026 89)
Cemetery	2 000 00	1 251 00	(749 00)
Unallocated	12 500 00	12 475 95	(24 05)
Public safety:			
Liquor law enforcement	890 00	843 27	(46 73)
Fire protection	-	-	-
Public works:			
Street lighting	2 150 00	2 114 76	(35 24)
Highways and streets	20 000 00	20 000 00	-
Sanitation	1 100 00	1 091 00	(9 00)
Other:			
Pension	1 770 00	1 349 75	(420 25)
Insurance	5 800 00	3 739 00	(2 061 00)
Capital outlay	2 000 00	1 099 00	(901 00)

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
8 092 00	16 715 99	8 623 99
-	-	-
-	-	-
-	-	-
2 500 00	2 151 58	(348 42)
-	-	-
1 425 00	1 054 33	(370 67)
<u>2 107 00</u>	<u>1 840 03</u>	<u>(266 97)</u>
<u>14 124 00</u>	<u>21 761 93</u>	<u>7 637 93</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
20 228 00	20 187 78	(40 22)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
55 500 00	52 007 03	(3 492 97)

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
GENERAL AND SPECIAL REVENUE FUNDS
Year Ended March 31, 2004

EXHIBIT C
Page 2

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures: (continued)			
Debt service	<u>3 244 00</u>	<u>2 973 19</u>	<u>(270 81)</u>
Total expenditures	<u>94 724 00</u>	<u>84 303 39</u>	<u>(10 420 61)</u>
Excess (deficiency) of revenues over expenditures	<u>(5 017 32)</u>	<u>49 297 82</u>	<u>54 315 14</u>
Other financing sources (uses):			
Operating transfers in	14 659 32	13 866 79	(792 53)
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>14 659 32</u>	<u>13 866 79</u>	<u>(792 53)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	9 642 00	63 164 61	53 522 61
Fund balances, April 1	<u>28 835 00</u>	<u>73 106 13</u>	<u>44 271 13</u>
Fund Balances, March 31	<u>38 477 00</u>	<u>136 270 74</u>	<u>97 793 74</u>

The accompanying notes are an integral part of these financial statements.

<u>Special Revenue Funds</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>75 728 00</u>	<u>72 194 81</u>	<u>(3 533 19)</u>
<u>(61 604 00)</u>	<u>(50 432 88)</u>	<u>11 171 12</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>(14 659 32)</u>	<u>(13 866 79)</u>	<u>792 53</u>
<u>(14 659 32)</u>	<u>(13 866 79)</u>	<u>792 53</u>
<u>(76 263 32)</u>	<u>(64 299 67)</u>	<u>11 963 65</u>
<u>76 263 32</u>	<u>72 060 17</u>	<u>(4 203 15)</u>
<u>-</u>	<u>7 760 50</u>	<u>7 760 50</u>

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Township of Hulbert, Chippewa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements of the Township contain all the Township funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Township of Hulbert. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Funds

General Fund

This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Fiduciary Fund

This fund is used to account for assets held as an agent for others.

Account Groups

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

General Long-Term Debt Account Group

This account group presents the balance of general obligation long-term debt.

Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present revenues and other financing sources and, expenditures and other financial uses in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual which is both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than principal and interest on long-term debt, are recorded when the related fund liability is incurred, if measurable. Principal and interest on general long-term debt is recognized when due.

Revenues from local sources consist primarily of property taxes. Property taxes and revenues received from the State are recognized when susceptible to accrual. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County delinquent tax rolls. The Township 2003 tax roll millage rate was 7.4022 mills and the taxable value was \$6,286,415.00.

Fixed Assets

Purchases of general fixed assets for all funds are recorded as expenditures in the respective funds at the time of purchase. They are also recorded in the General Fixed Assets Group of Accounts which is required by generally accepted accounting principles.

Investments

Investments are stated at market.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay and therefore no accumulated amount is recorded in the financial statements.

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 1 – Summary of Significant Accounting Policies (continued)

Budgets and Budgetary Accounting (continued)

2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Postemployment Benefits

The Township provides no postemployment benefits to past employees.

Note 2 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 2 – Deposits and Investments (continued)

political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>152 797 57</u>
Amounts in the bank balances are without considering deposits in transit or uncleared checks.	
	<u>Bank Balances</u>
Insured (FDIC)	123 597 70
Uninsured and Uncollateralized	<u>30 973 35</u>
Total Deposits	<u>154 571 05</u>

The Township of Hulbert did not have any investments as of March 31, 2004.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS

March 31, 2004

Note 3 – Interfund Receivables and Payables

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	1 579 37	Current Tax Collection	2 583 74
Fire Capital	669 58		
Fire Maintenance	<u>334 79</u>		
Total	<u>2 583 74</u>	Total	<u>2 583 74</u>

Note 4 – Changes in General Fixed Assets

A summary of changes in general fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land and improvements	169 750 00	-	-	169 750 00
Buildings and improvements	188 438 39	-	-	188 438 39
Equipment	<u>143 583 42</u>	<u>53 106 03</u>	<u>-</u>	<u>196 689 45</u>
Totals	<u>501 771 81</u>	<u>53 106 03</u>	<u>-</u>	<u>554 877 84</u>

Note 5 – Changes in General Long-Term Debt

A summary of changes in general long-term debt follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/04</u>
Loan Payable	<u>44 807 79</u>	<u>-</u>	<u>925 31</u>	<u>43 882 48</u>

Note 6 – Loan Payable

On March 19, 1999, the Township obtained a loan in the amount of \$49,924.01 for the purchase and remodeling of a new Township office building. The Township is making monthly payments of approximately \$300.00 and as of March 31, 2004, the principal balance of the loan is \$43,882.48.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2004

Note 7 – Interfund Transfers

For the fiscal year ended March 31, 2004, the Township had the following interfund transfers:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
General	<u>13 866 79</u>	Roads	<u>13 866 79</u>
Total	<u>13 866 79</u>	Total	<u>13 866 79</u>

Note 8 – Pension Plan

The Township has a defined contribution pension plan covering all full-time employees. The Township contributes amounts due to the plan based on each employee's annual salary. Pension expense for the fiscal year ended March 31, 2004, was \$1,349.75.

Note 9 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 10 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts, and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 11 – Building Permits

The Township of Hulbert does not issue building permits. Building permits are issued by the County of Chippewa.

Note 12 – Total Columns on Combined Statements--Overview

The total columns on the combined financial statements are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation, because interfund eliminations have not been made in the aggregation of this data.

TOWNSHIP OF HULBERT
Chippewa County, Michigan

GENERAL FUND EXPENDITURES BY DETAILED ACCOUNT
Year Ended March 31, 2004

EXHIBIT D

Township Board	<u>1 460 88</u>
Supervisor	<u>3 652 20</u>
Elections	<u>653 55</u>
Assessor	<u>3 600 00</u>
Clerk	<u>2 739 16</u>
Board of Review	<u>848 41</u>
Treasurer	<u>2 739 16</u>
Township hall: Repairs and maintenance	<u>21 673 11</u>
Cemetery	<u>1 251 00</u>
Unallocated:	
Administration	4 279 97
Supplies	5 344 59
Manatron	2 653 33
Miscellaneous	<u>198 06</u>
	<u>12 475 95</u>
Liquor law enforcement	<u>843 27</u>
Street lighting	<u>2 114 76</u>
Highways and streets	<u>20 000 00</u>
Sanitation	<u>1 091 00</u>
Pension	<u>1 349 75</u>
Insurance	<u>3 739 00</u>
Capital outlay	<u>1 099 00</u>
Debt service	<u>2 973 19</u>
Total Expenditures	<u><u>84 303 39</u></u>

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINING BALANCE SHEET – ALL SPECIAL REVENUE FUNDS EXHIBIT E
March 31, 2004

	<u>Fire Capital</u>	<u>Fire Maintenance</u>	<u>Roads</u>	<u>Total</u>
<u>Assets</u>				
Cash in bank	4 355 31	492 19	-	4 847 50
Taxes receivable	1 272 42	636 21	-	1 908 63
Due from other funds	<u>669 58</u>	<u>334 79</u>	<u>-</u>	<u>1 004 37</u>
Total Assets	<u>6 297 31</u>	<u>1 463 19</u>	<u>-</u>	<u>7 760 50</u>
<u>Liabilities and Fund Balances</u>				
Fund balances	<u>6 297 31</u>	<u>1 463 19</u>	<u>-</u>	<u>7 760 50</u>
Total Liabilities and Fund Balances	<u>6 297 31</u>	<u>1 463 19</u>	<u>-</u>	<u>7 760 50</u>

TOWNSHIP OF HULBERT
Chippewa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL SPECIAL REVENUE FUNDS EXHIBIT F
Year Ended March 31, 2004

	<u>Fire Capital</u>	<u>Fire Maintenance</u>	<u>Roads</u>	<u>Total</u>
Revenues:				
Property taxes	11 143 99	5 572 00	-	16 715 99
Charges for services	-	2 151 58	-	2 151 58
Interest	637 41	318 71	98 21	1 054 33
Miscellaneous	<u>870 82</u>	<u>969 21</u>	<u>-</u>	<u>1 840 03</u>
Total revenues	<u>12 652 22</u>	<u>9 011 50</u>	<u>98 21</u>	<u>21 761 93</u>
Expenditures:				
Public safety:				
Fire protection	4 200 26	15 987 52	-	20 187 78
Capital outlay	<u>52 007 03</u>	<u>-</u>	<u>-</u>	<u>52 007 03</u>
Total expenditures	<u>56 207 29</u>	<u>15 987 52</u>	<u>-</u>	<u>72 194 81</u>
Excess (deficiency) of revenues over expenditures	<u>(43 555 07)</u>	<u>(6 976 02)</u>	<u>98 21</u>	<u>(50 432 88)</u>
Other financing sources (uses):				
Operating transfers out	<u>-</u>	<u>-</u>	<u>(13 866 79)</u>	<u>(13 866 79)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(13 866 79)</u>	<u>(13 866 79)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(43 555 07)	(6 976 02)	(13 768 58)	(64 299 67)
Fund balances, April 1	<u>49 852 38</u>	<u>8 439 21</u>	<u>13 768 58</u>	<u>72 060 17</u>
Fund Balances, March 31	<u><u>6 297 31</u></u>	<u><u>1 463 19</u></u>	<u><u>-</u></u>	<u><u>7 760 50</u></u>

TOWNSHIP OF HULBERT
Chippewa County, Michigan

CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended March 31, 2004

EXHIBIT G

	<u>Balance</u> <u>4/1/03</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/04</u>
<u>Assets</u>				
Cash in bank	01	221 270 46	204 932 46	16 338 01
Total Assets	01	221 270 46	204 932 46	16 338 01
<u>Liabilities</u>				
Due to other funds	01	44 158 12	41 574 39	2 583 74
Due to others	-	177 112 34	163 358 07	13 754 27
Total Liabilities	01	221 270 46	204 932 46	16 338 01

CAMPBELL, KUSTERER & CO., P.C.

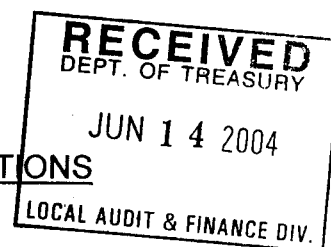
CERTIFIED PUBLIC ACCOUNTANTS

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KENNETH P. KUSTERER, CPA

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P.O. BOX 686
BAY CITY, MICHIGAN 48707

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS



May 27, 2004

To the Township Board
Township of Hulbert
Chippewa County, Michigan

We have audited the financial statements of the Township of Hulbert, for the year ended March 31, 2004. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Township of Hulbert in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

To the Township Board
Township of Hulbert
Chippewa County, Michigan

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

To the Township Board
Township of Hulbert
Chippewa County, Michigan

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which is to be implemented over the next few years. The implementation date of this pronouncement for the Township of Hulbert will begin with the year ended March 31, 2004, and will need to be implemented fully by March 31, 2005. The daily operations and recording transactions should not change significantly, however, the Township will be required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2004.

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,


CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants